

GAO

Report to the Honorable  
Max Baucus, U.S. Senate

March 1992

# GRAZING FEES

## BLM's Allocation of Revenues to Montana Appears Accurate



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United States  
General Accounting Office  
Washington, D.C. 20548

Resources, Community, and  
Economic Development Division

B-246854

March 11, 1992

The Honorable Max Baucus  
United States Senate

Dear Senator Baucus:

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This report responds to your request that we review payments made to the state of Montana from grazing fees collected by the Department of the Interior's Bureau of Land Management (BLM) on certain federal lands within the state. Your concern was that the state and its counties may not be receiving their full share. The correctness of BLM's payments depends primarily on two factors: (1) properly classifying grazing lands into one of three categories that determine the specific percentage of receipts to be paid to the state and its counties and (2) ensuring that the system for collecting and distributing the fee receipts produces complete and accurate results. Accordingly, as agreed with your office, we examined (1) the procedures used by BLM to classify federal grazing lands for fee distribution purposes and (2) the system that BLM uses for collecting and distributing fee revenues. We also reviewed BLM's response to several related concerns raised by state and county officials in Montana.

## Results in Brief

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In fiscal year 1991, BLM collected \$2.2 million in grazing fees in Montana, part of which was distributed to state and local governments. BLM's management of these receipts appears to provide reasonable assurance that the state is receiving the revenues to which it is entitled. With respect to land classification, we found that BLM followed appropriate procedures in placing its lands in the three categories established in federal law. Also, our limited sample of lands included in each land category did not disclose any instances in which the lands were misclassified. With respect to collecting and distributing fee revenues, we found that the system's operation is basically sound. Furthermore, the limited sample of receipts we tested was properly accounted for and distributed. As with all automated systems, the accuracy of the results depends, in part, on the accuracy of the data entered. While we found several instances of incorrect data entry, BLM had corrected these errors by the time of our review. Furthermore, BLM has begun efforts to ensure greater accuracy of the information in the system.

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## Background

BLM manages livestock that graze on nearly 162 million acres of rangelands in 16 western states. The rangelands are divided into about 22,000 separate grazing units, referred to as allotments, that are used by about 19,600 livestock permittees. These permittees pay BLM a fee to graze their livestock on the public lands. The fee is annually computed using a formula mandated by Executive Order 12548. For grazing year 1991 (Mar. 1991 through Feb. 1992), the fee was \$1.97 per animal unit month (AUM).<sup>1</sup> The fee dropped to \$1.92 in grazing year 1992. In fiscal year 1991, BLM's grazing fee receipts totaled \$18.6 million, of which \$2.2 million was collected in Montana.

The grazing fee revenues generated are distributed among the U.S. Treasury's general fund, a range improvement fund,<sup>2</sup> and the governments of the states and counties in which the grazing allotments are located. The specific portion that each receives depends on the federal statute under which the grazing activity is authorized. Three different distribution formulas can be applied as established in the two authorizing statutes—the Taylor Grazing Act of 1934 (43 U.S.C. 315 et seq.) and the Bankhead-Jones Farm Tenant Act of 1937 (7 U.S.C. 1012).

The Taylor Grazing Act deals with grazing on the original public domain lands. These are lands to which title was vested in the federal government at the time the lands became part of the United States. The act provides two different distribution formulas for grazing fees collected on public domain lands depending on whether the lands are located within or outside the boundaries of a grazing district.<sup>3</sup> For lands located within grazing districts (classified as section 3 lands), the state where the grazing district is located receives 12.5 percent of the fees collected. On lands outside grazing districts (classified as section 15 lands), the act provides the state with a 50-percent share of the fees collected. Grazing fee receipts collected under this act are distributed to the states at the end of each fiscal year. Montana state law requires the state treasurer to pass these funds through to county treasurers of the counties in which the funds were collected. The treasurers reallocate half of the funds to their county's general fund and

<sup>1</sup>An AUM is defined as the amount of forage needed to support a 1,000-pound cow, a horse, or five sheep for 1 month.

<sup>2</sup>A Department of the Interior account used to fund various allotment improvements such as fences, water developments, etc.

<sup>3</sup>Section 1 of the Taylor Grazing Act authorizes Interior to establish grazing district boundaries. The purpose of the districts is to regulate the occupancy and use of public lands; to preserve the lands and their resources from destruction or unnecessary injury; and to provide for the orderly use, improvement, and development of the lands.

half to their county's common school fund. Grazing fee payments to the state of Montana for fiscal year 1991 totaled \$160,666 for section 3 lands and \$142,268 for section 15 lands.

The Bankhead-Jones Farm Tenant Act deals with lands acquired by the Department of Agriculture during the 1930s to take the lands out of cultivation. Grazing is one of six categories of fee revenues from these lands.<sup>4</sup> On all Bankhead-Jones lands in Montana, 25 percent of the grazing fee receipts are distributed at the end of each calendar year to the counties in which grazing took place. The act specifies that the funds are to be used for school or road purposes, or both. The calendar year 1990 payments to Montana counties from Bankhead-Jones receipts totaled \$378,135 from all commodities; of this, \$158,034 was from grazing fees.

Table 1 summarizes the distribution formulas for grazing fees collected under the authority of each act.

**Table 1: Percentage of Distribution of Grazing Fee Receipts**

Land type	State	County	Range improvement fund	U.S. Treasury general fund
Taylor Grazing Act				
Section 3	12.5	0	50	37.5
Section 15	50.0	0	50	0
Bankhead-Jones Act	0	25	50	25.0

Note: The Montana State Treasurer receives the state's portion of the Taylor Grazing Act funds from BLM and distributes them to the counties in which they were collected.

In managing its grazing program, BLM operates under a decentralized management structure, transferring most authority and responsibility to its state offices. Within the state organizational structure, day-to-day BLM operations are the responsibility of 140 resource area offices that, in turn, fall under the auspices of 51 district offices.

BLM uses two automated systems to help manage grazing fee collections and revenue distributions. The first system—the Grazing Authorization and Billing System (GABS)—is used to track the level of grazing activity on each

<sup>4</sup>The five others are mineral leases, mineral leases for rights-of-way, sale of materials, oil and gas rentals, and other. The Bankhead-Jones lands in Montana were transferred from the jurisdiction of the Department of Agriculture to that of the Department of the Interior by Executive Order 10787 of November 6, 1958.

allotment as well as bill payment status. This system is based on data entered into personal computers located at each BLM resource area office and subsequently consolidated at Interior's centralized financial management office—the Denver Service Center. The GABS data base includes, among other information, the allotment's name, the permittee's name and address, the number of AUMs authorized, the allotment's land classification (section 3, section 15, or Bankhead-Jones), the amount of grazing fee billed, payments received, and the Treasury receipt account code to which payment is to be credited.<sup>5</sup>

When BLM receives payments from a permittee, certain information in the GABS is transferred to a second automated system, the Federal Financial System (FFS). The FFS, which is used by a number of federal agencies, tracks payments made to the federal government and their disbursement to various Treasury receipt accounts. One of the key pieces of data transferred from the GABS to the FFS is the receipt account code. Using these Treasury account codes, the FFS assigns the grazing fee receipts to the appropriate accounts for later distribution to the states and counties, the Treasury's general fund, and Interior's range improvement fund. These systems are explained in more detail in appendix I.

## BLM Followed Proper Procedures in Classifying Lands for Fee Receipt Distribution Purposes

The proper classification of the Taylor Grazing Act lands that BLM manages is important because the classification determines the formula by which grazing fee revenues are distributed.<sup>6</sup> If these lands are included within a grazing district, the share of the revenues provided to the state is substantially less than if the lands are outside a grazing district. As far as we can determine from available records, BLM established Montana's grazing districts in accordance with the procedures set forth in the Taylor Grazing Act. In addition, our sample showed that land classifications were correctly entered into allotment files that are commonly used as source documents for entering data into the GABS data base.

Section 1 of the Taylor Grazing Act authorizes the Secretary of the Interior to establish grazing districts and, under certain conditions, make additions to them and modify their boundaries. Under the act, a grazing district may

<sup>5</sup>The fees collected for grazing on each of the three land classifications are credited to separate Treasury receipt accounts so that revenues can be properly distributed. Each of these accounts has an assigned account code.

<sup>6</sup>Unlike the Taylor Grazing Act lands, the inclusion or exclusion of Bankhead-Jones lands from a grazing district does not affect the share of revenues provided to local governments. On all Bankhead-Jones lands in Montana, 25 percent of the receipts are distributed to the counties.

be established by secretarial order from Interior after a public hearing is held in the state at least 20 days before the establishment of the district. Public notification of the hearing is required at least 90 days before the establishment of the district. The Secretary of the Interior established six grazing districts in Montana between 1935 and 1939. Subsequent modifications have been made for various reasons. For example, in 1966 some modifications were made because of additions and exclusions from several national forests and the resulting land exchanges between the Department of Agriculture's Forest Service and BLM.

Montana state and county officials recently expressed concerns that BLM had not properly established Montana's grazing districts. In response, in September 1991, BLM provided the officials with documentation they believed demonstrated that the six grazing districts had been established in accordance with the Taylor Grazing Act. Because the grazing districts were established nearly 60 years ago, documentation on public hearings and public notification of the hearings could not be located in every case. However, BLM did provide the secretarial orders from Interior establishing each district and was able to find, in its historical files, notices of public hearings for three of the six districts. BLM believes that because the issuance of the secretarial orders was the last step in the process, all the other steps, including public notification and hearings, had to have taken place. We reviewed BLM's available documentation and found no evidence to suggest that the grazing districts were established improperly.

To test whether individual allotments were placed in the correct land classification categories, we reviewed the files for nine allotments, used by seven permittees, located in the Judith Resource Area of the Lewistown District in Montana. These particular allotments represented a mix of all three land classifications: sections 3 and 15 Taylor Grazing Act lands and Bankhead-Jones lands. We compared the legal descriptions of the allotments in BLM's allotment files with BLM's land status maps to determine if the lands were properly classified. For the files we reviewed, the lands had been properly classified.

## Structure of Current System Appears Reasonable for Collecting and Distributing Fee Receipts

BLM's grazing fee collection and revenue distribution system provides reasonable assurance that grazing fees are being properly collected and revenues are being appropriately distributed. Our review showed that the system's operation is basically sound. Furthermore, our sample verified that, when the data entered into the system are accurate, fee revenues are deposited into proper accounts and distributed correctly. Like all

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automated systems, BLM's system is subject to errors caused by inaccurate data entry, such as entering an incorrect grazing season length. BLM recognizes that system refinements can be made to reduce the possibility of data entry errors and has begun to make these refinements.

We examined the structure of BLM's system for collecting and distributing grazing fees at the resource area and Denver Service Center levels. Several controls within both the GABS and the FFS help to ensure that receipts are collected and revenues are distributed properly. These controls include

- comparisons of billing and deposit documentation, by both BLM resource area officials and Denver Service Center staff, to ensure that the amount paid by the permittee equals the amount billed;
- an edit-check in the GABS that prevents the entry of an account code that is inconsistent with the land classification (e.g., if the land classification is entered as section 3, the account code for section 15 will not be accepted);
- the automated transfer of data between the GABS and the FFS on a weekly basis; and
- the automated calculation of the amount of revenues owed to states, counties, the Treasury's general fund, and Interior's range improvement fund.

A flowchart and detailed discussion of how this system works are included in appendix I.

We tested the system's performance using the same sample of allotments and permittees that we used to test the correctness of land classifications. We traced the bills for these seven permittees for grazing years 1990 and 1991 through the GABS and the FFS to determine if the correct amounts were deposited into the appropriate accounts. In all seven cases, the grazing bill computations were correct, and the grazing fee receipts were deposited into the Treasury receipt accounts listed in the GABS. In cases where the allotments contained more than one class of land, the receipts were apportioned to the correct receipt accounts on the basis of the percentage of AUMs authorized on each class of land. Also, the percentages of the revenues to be paid to the states and counties were properly calculated in the FFS, and the money was distributed to the proper Treasury distribution accounts.

As with all automated systems, the accuracy of the results depends, in part, on the accuracy of the data entered. We found three examples, two within

our sample and one outside, of inaccurate data entry. BLM had corrected these errors by the time of our review.

- During our test work, we found that the grazing period for one of the permittees had been erroneously recorded on the grazing bill as extending beyond the current billing period. As a result, the permittee was overcharged by \$766.32. This error was corrected when the permittee brought it to BLM's attention. This data entry error was not identified by BLM because at the time, the GABS at resource area offices did not contain an edit-check to ensure that the grazing period entered into the computer did not extend beyond the billing period. Although this edit-check has since been added, BLM officials in the Denver Service Center and the Montana State Office have identified the need for other edit-checks in the GABS. Officials at these locations are forming a special committee to identify and implement needed edit-checks. BLM officials plan to have these additional edit-checks in place with a planned major modification to the GABS in 18 to 24 months.
- The second example we found within our sample involved a situation in which BLM did not enter new data into the billing system after a grazing permit was adjusted. In 1971, BLM sold 160 acres of section 3 lands within an allotment to a rancher holding the grazing permit for the allotment. BLM had authorized 16 AUMs to be grazed on these 160 acres. Prior to the sale, 24 percent of the allotment's AUMs had been authorized on Taylor Grazing Act lands and 76 percent on Bankhead-Jones lands. Revenues from this allotment were apportioned to the appropriate Treasury accounts using these percentages. After the sale, 21 percent of the allotment's AUMs were authorized on Taylor Grazing Act lands and 79 percent on Bankhead-Jones lands. However, these percentages were not changed in the GABS at the resource area until 1991, when the error was discovered by district office staff during a review of the files conducted at the request of county officials. As a result, grazing revenues were apportioned to the Treasury receipt accounts using the old percentages. Over a 21-year period, the county received a total of about \$45 less than it should have received.
- The third example we found, which was outside our sample, involved an incorrect land classification that was entered into the GABS data base for an allotment in Montana's Valley Resource Area. We found this error through discussions with BLM officials and a review of the documents they provided. In this case, an allotment consisting of Bankhead-Jones Act lands was entered into the billing system as section 15 Taylor Grazing Act lands. While the erroneous data were entered before BLM's implementation of the current GABS, the data entry error remained in the system until BLM officials found the error during a special state office analysis early in 1991 and

corrected it. As a result of this error, a Montana county received approximately \$1,822 more than it should have received over a 3-year period and has repaid that amount. This error could have been avoided if BLM officials had independently verified all such entries in the GABS with source documents, such as the allotment file.

## BLM's System Provides Some of the Information Desired by State Officials

Since late 1990, Montana state officials have been questioning whether the state is receiving its appropriate share of federal grazing fee receipts generated under the Taylor Grazing Act and the Bankhead-Jones Act. In an effort to conclusively establish that it is receiving all due revenues, state officials have, over a period of months, made numerous requests to BLM for documentation and data that would support how BLM determines the grazing fee payments Montana receives. The requested information included, as discussed earlier, support for BLM's establishment of grazing districts. In addition, the officials requested data that would enable the state to more accurately distribute grazing fee payments to its counties and data that would permit a reconciliation between the number of AUMs grazed each year and the grazing fee payment received by the state.

We believe BLM has made a good faith effort to respond to the state officials' requests. To date, BLM has provided documentation supporting the establishment of its grazing districts as well as the following:

- A listing of section 3 grazing fee receipts, by county, for fiscal year 1991 payments. Such a listing, which BLM is not required by law to provide, will now be prepared annually and provided to the state. A state official told us that this information will enable the state to meet its objective of properly distributing section 3 revenues to Montana's counties.
- Letters to each affected Montana county explaining the payment of Bankhead-Jones receipts for calendar year 1990 and including a detailed breakdown demonstrating the relative contribution of the six revenue categories to the total. In the future, BLM intends to provide this information with each Bankhead-Jones payment. Such information is intended to help the counties better understand the sources of the revenues as well as annual variations in those revenues.
- A technical bulletin entitled "Guide to Grazing Districts and Grazing Receipts." Issued by BLM in September 1991, this document contains, among other items, (1) explanatory information related to grazing districts (including the history of their establishment and a legal description of each district); (2) Taylor Grazing Act payments for fiscal year 1990; (3) Bankhead-Jones payments for calendar year 1990 (including a copy of the

executive order transferring Montana Bankhead-Jones lands to BLM); (4) a flowchart of the grazing fee billing, collection, and distribution system; and (5) the Montana state law requiring the distribution of grazing fee receipts to counties. This technical bulletin has been distributed within Montana to all BLM offices, all state and county treasurers, the state auditor's staff, and various interest groups. Sections of the bulletin will be updated and distributed annually.

While demonstrating a desire to be responsive to the state's needs, the FFS and the GABS are not currently able to provide data that would enable a complete reconciliation between the number of AUMs grazed each year and the aggregate grazing fee payment received by the state. The state has data on its share of total fee revenues generated from grazing, by land classification. To ensure that the total fee revenue figures being reported by BLM are accurate, however, state officials also want to be able to compare the revenue totals with the number of AUMs paid for by the permittees.

For several reasons, BLM has decided it is not appropriate to provide this information. From a legal perspective, Interior's Solicitor's Office in Billings, Montana, has concluded that BLM is not required to provide AUM information to the states. Just as importantly, however, on a practical level, BLM has concluded that the kind of precise reconciliation desired by the state officials would require time-consuming and costly system modifications having minimal benefit to BLM. It reached this conclusion for several reasons.

- The GABS data base, which contains information about the number of AUMs grazed, and the FFS data base, which tracks grazing fee receipts, do not operate on the same-year basis. The GABS tracks the grazing fee year (Mar. through Feb.), and the FFS tracks the fiscal year (Oct. through Sept.). An added complication is that because the grazing fee rate can change each grazing year, two different grazing fee rates may be involved in any attempt to reconcile fiscal year data.
- Combining data from two different computer systems is a complicated process. A section chief in the Denver Service Center's Finance Division said that it would take 1 month just to analyze the two systems and determine the best way to obtain and combine information from them. He told us it would take an additional 6 months of programming and testing to produce usable results.
- Permittees often do not pay their grazing fees in the same year that related grazing occurs. Some permittees pay for grazing prior to the grazing

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season; consequently, they could make a payment in the fiscal year prior to the actual grazing. Conversely, some permittees pay their fees after grazing occurs; consequently, they could make a payment in the fiscal year after the actual grazing. Identifying and reconciling these instances in two automated systems would also be difficult and time-consuming.

- Total grazing fee revenues shown in the FFS data base include charges that do not directly relate to AUMs. Therefore, these charges would have to be identified and removed before any reconciliation could occur. For example, BLM requires permittees to pay an administrative fee if a grazing bill is not paid on time or must be reissued for the permittee's convenience.
- An official in the Finance Division of the Denver Service Center told us that because the FFS is a governmentwide system, modifications are difficult to make. Any changes to the software must be reviewed by a special Interior committee and can be approved only if they are determined to have departmentwide benefits. Changes to permit the reconciliation of AUMs paid for and grazing fee payments may not meet this criterion.

After numerous discussions with BLM officials, we agree that, because of the technical difficulties involved, BLM has sound reasons for not providing the state with a complete reconciliation between the number of AUMs grazed and the aggregate fee payment received.

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## Conclusions

BLM's system for collecting and distributing federal grazing fees appears to provide reasonable assurance that Montana is receiving its full share of grazing fee receipts. In our limited sample, we found that no lands had been misclassified and that grazing fee receipts had been properly distributed. While basically sound, BLM's grazing fee billing and accounting systems are subject to errors, as any automated system is if data are entered incorrectly and mistakes are not caught and corrected. Although we found several examples of inaccurate data entry, BLM had corrected these mistakes by the time of our review. With the formation of a committee tasked with identifying and implementing edit-checks needed to refine its system, BLM has begun to ensure greater accuracy of the information in the system. We believe these efforts are worthwhile and should be continued.

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## Agency Comments

In its written comments on a draft of this report, Interior stated that our description of land classification procedures and the system used to collect and distribute fee revenues is accurate. The Department suggested several minor revisions to the draft, which we incorporated as appropriate. These comments are included in appendix II.

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## Scope and Methodology

In conducting this review, we interviewed and obtained information from officials at BLM's headquarters in Washington, D.C.; Montana State Office; Lewistown District Office; and Judith Resource Area Office; and at the Department of the Interior's Denver Service Center. The Judith Resource Area Office was selected because it administers lands in the Montana county that expressed concern about the reliability of BLM's system for collecting and distributing grazing fee receipts. We reviewed agency allotment, billing, collection, and other accounting records at these locations as well as the applicable legislation and executive orders.

In addition, we made a limited test of BLM's system for collecting and distributing grazing fee receipts by tracing a sample of seven files through the GABS and the FFS. We also met with officials of the Montana State Department of Administration and Office of the Legislative Auditor, members of the Fergus County Commission (Montana), the Fergus County Treasurer, and the Fergus County Superintendent of Schools to discuss their concerns about the collection and distribution of grazing fee receipts.

We conducted our review from July through November 1991 in accordance with generally accepted government auditing standards. Unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of this letter. At that time, we will send copies to the appropriate congressional committees; the Secretary of the Interior; and the Director, BLM. We will also make copies available to others upon request.

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Please contact me at (202) 275-7756 if you or your staff have any questions concerning this report. Major contributors to this report are listed in appendix III.

Sincerely yours,

A handwritten signature in cursive script that reads "James Duffus III". The signature is written in dark ink and is positioned above the printed name.

James Duffus III  
Director, Natural Resources  
Management Issues



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## Abbreviations

AUM	animal unit month
BLM	Bureau of Land Management
FFS	Federal Financial System
GABS	Grazing Authorization and Billing System
GAO	General Accounting Office



# BLM's System for Collecting and Distributing Grazing Fee Receipts

The Bureau of Land Management's (BLM) system for collecting and distributing grazing fee receipts is complex and involves staff at the resource area, Denver Service Center, and BLM headquarters levels. The system also involves two automated information systems—the Grazing Authorization and Billing System (GABS) and the Federal Financial System (FFS).

## Actions at the Resource Area Office

A rancher wishing to begin grazing cattle on federal lands or to change the conditions of an existing grazing permit makes a request to officials at a resource area office. Officials at the resource area office determine which lands they will include in the allotment as well as the specific terms of the permit. The rancher signs the permit, and BLM enters information about the permit holder and the allotment into the GABS. This information includes the permittee's name and address, period that the permit is valid, authorized level of use, type and number of livestock authorized to graze the lands, season of use, state and county where the allotment is located, and land classification (section 3 or section 15 public domain lands or lands covered by the Bankhead-Jones Act).

A crucial piece of information entered into the GABS at the resource area office is the account code for the U.S. Treasury receipt account to which the fee receipts will be deposited. The account to which the receipts will be deposited is determined by the land's classification. For example, if an allotment is listed as comprising section 3 public domain lands, receipts are deposited into account 145032, whereas receipts from section 15 public domain lands are deposited into account 145016. Receipts from Bankhead-Jones lands are deposited into account 145896.11. The GABS data base is programmed to only allow input of account codes that are consistent with the allotment's land classification. If the land classification is entered correctly, this edit-check ensures that the grazing fee receipts will be deposited into the proper accounts for later distribution to states, counties, the general U.S. Treasury fund, and the Department of the Interior's range improvement fund.

When it is time to bill the permittee for grazing use, the GABS, which determines the grazing fee owed by the permittee, automatically prints a bill. Ranchers who operate on a prepaid basis receive their bills before they begin their grazing season. Other ranchers operating under a BLM-approved plan for managing their allotments receive their bills at the end of their grazing season. Any changes in grazing, such as a variation in the actual level of grazing, must be corrected by a refund or a supplemental

bill. When the bill is sent to the permittee, billing and related information from the GABS data base, such as land classification and receipt account code, are electronically transferred to a mainframe computer containing the GABS data base at Interior's Denver Service Center.

When the local BLM officials receive a rancher's payment, they match the amount paid with the amount billed to ensure that the permittee has not overpaid or underpaid. They then prepare a deposit slip to accompany the payment to the bank. Afterwards, they mail a copy of the deposit slip and the grazing bill to the Denver Service Center.

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## **Actions at the Denver Service Center**

Upon receiving copies of the deposit slip and grazing bill from the resource area office, the Denver Service Center, through a private contractor, creates a computer file containing the deposit information. Denver Service Center officials then compare the deposit information in this file with the billing data that were previously sent electronically from the resource area. This procedure serves as a second verification that the amount paid was not more or less than the amount billed. Any bills that do not match must be resolved by resource area officials before the data can be used further. Cumulative data in the GABS data base are maintained on a grazing-year basis—from March to February.

Every week, certain information from all matched and resolved bills in the GABS is transferred to the FFS. This is an automatic procedure that ensures that the same types of data are transferred each week. Since the FFS tracks financial activities, only the information needed for accounting purposes is transferred to the FFS. Range management data such as the type of livestock authorized and the number of animal unit months (AUMs)<sup>1</sup> billed are not transferred to the FFS. Transferred information includes the amount of the payment received, the bill number, and the receipt account code. Each individual bill can be accounted for in the FFS. Any corrections or reconciliations as a result of insufficient fund checks or other year-end adjustments are reflected in the FFS so that the appropriate accounts may be adjusted accordingly. The FFS maintains cumulative totals on a fiscal year basis.

Within the FFS, grazing receipts are distributed from the receipt accounts to the appropriate distribution accounts. This is an automated process that uses the Taylor Grazing Act and Bankhead-Jones Act percentages to

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<sup>1</sup>An AUM is defined as the amount of forage needed to support a 1,000-pound cow, a horse, or five sheep for 1 month.

distribute grazing receipts each time the calculation is performed. When these calculations are complete, the FFS prints out the results in monthly and year-end reports that are sent to BLM headquarters.

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## **Actions at BLM Headquarters**

After receipts are distributed to the proper Treasury distribution accounts via the FFS, BLM headquarters officials prepare to make payments to the states and counties.<sup>2</sup> These payments are made at the end of each fiscal year for sections 3 and 15 revenues, and at the end of each calendar year for Bankhead-Jones revenues. The payments are determined by the results of the reports received from the Denver Service Center. BLM headquarters officials then request a warrant from the U.S. Treasury to make these payments.<sup>3</sup> Checks are then issued by BLM to each state for sections 3 and 15 payments and to each county for Bankhead-Jones payments, accompanied by documentation showing the source of the payments by commodity and county.

Figures I.1-3 are our representation of the grazing receipts collection and distribution process. The figures are based on our review of agency regulations and documents as well as interviews with agency officials. The figures were reviewed by officials in BLM headquarters and at the Judith Resource Area Office, Lewistown District Office, Montana State Office, and the Denver Service Center. Changes recommended by these officials have been incorporated.

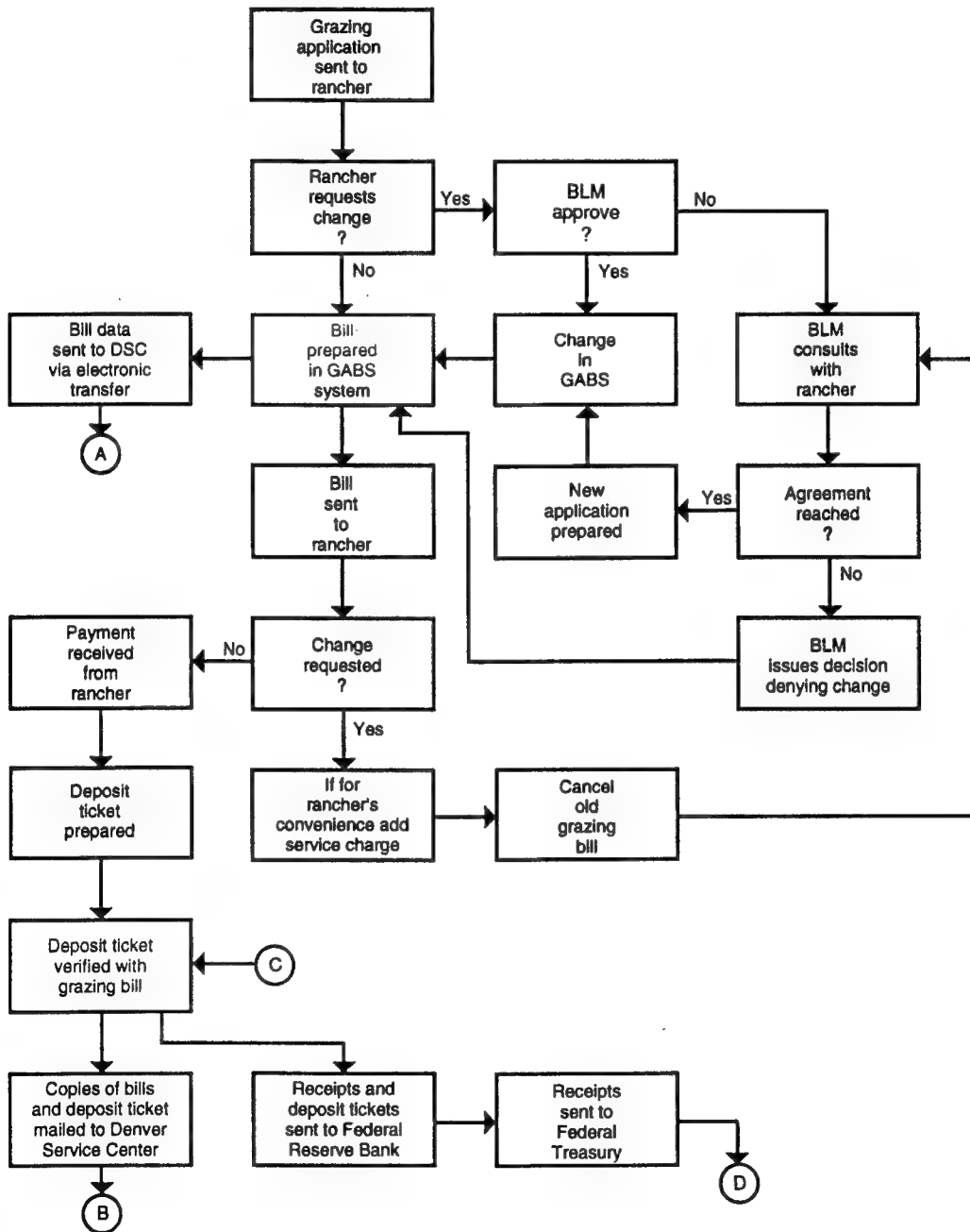
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<sup>2</sup>Beginning in 1992, this function will be transferred to officials in BLM's Denver Service Center.

<sup>3</sup>A warrant is the official document issued, pursuant to law, by the Secretary of the Treasury that establishes the amount of money authorized to be withdrawn from the Treasury.

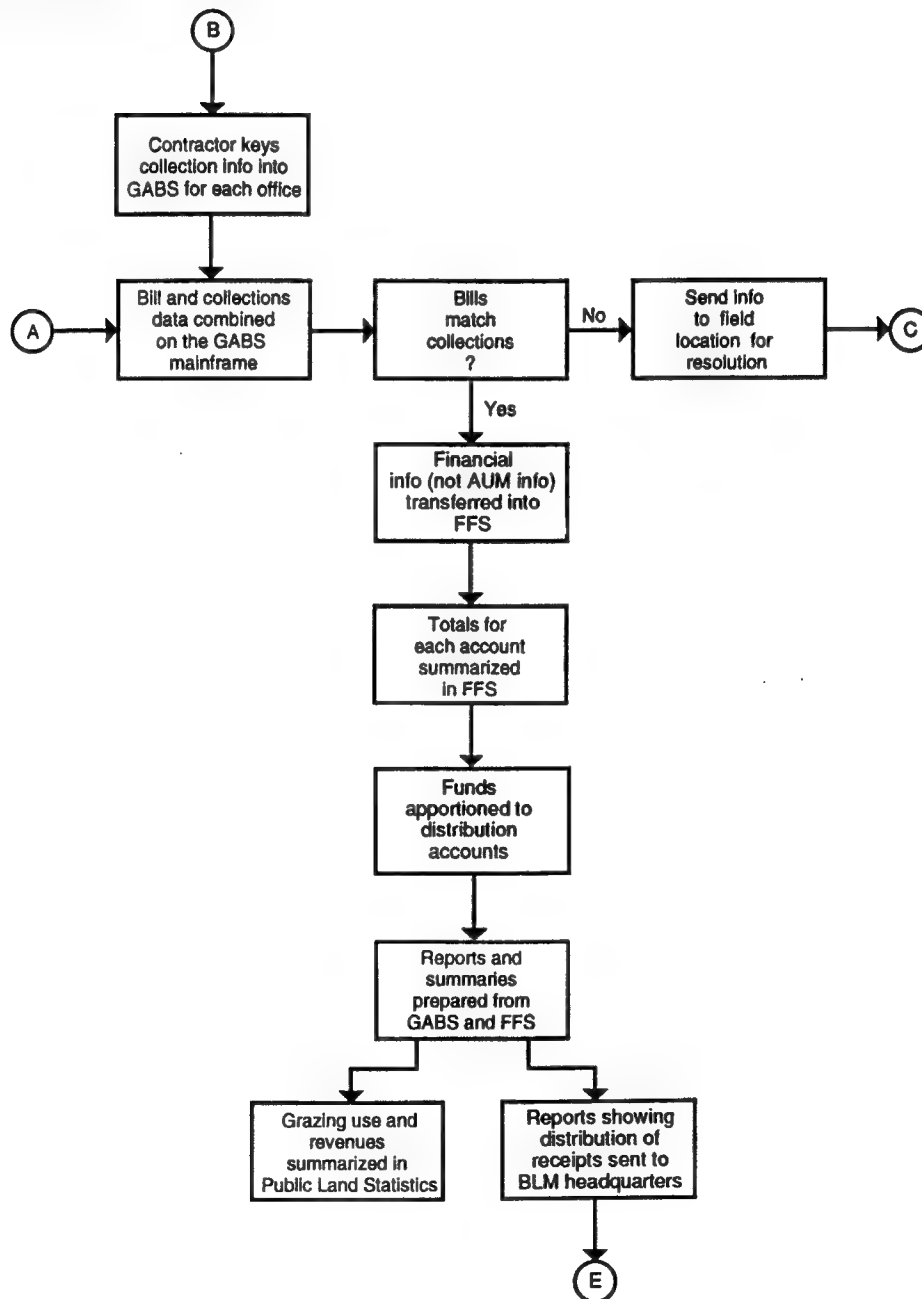
Appendix I  
BLM's System for Collecting and Distributing  
Grazing Fee Receipts

Figure I.1: BLM Resource Area Office Processing of Grazing Fee Receipts



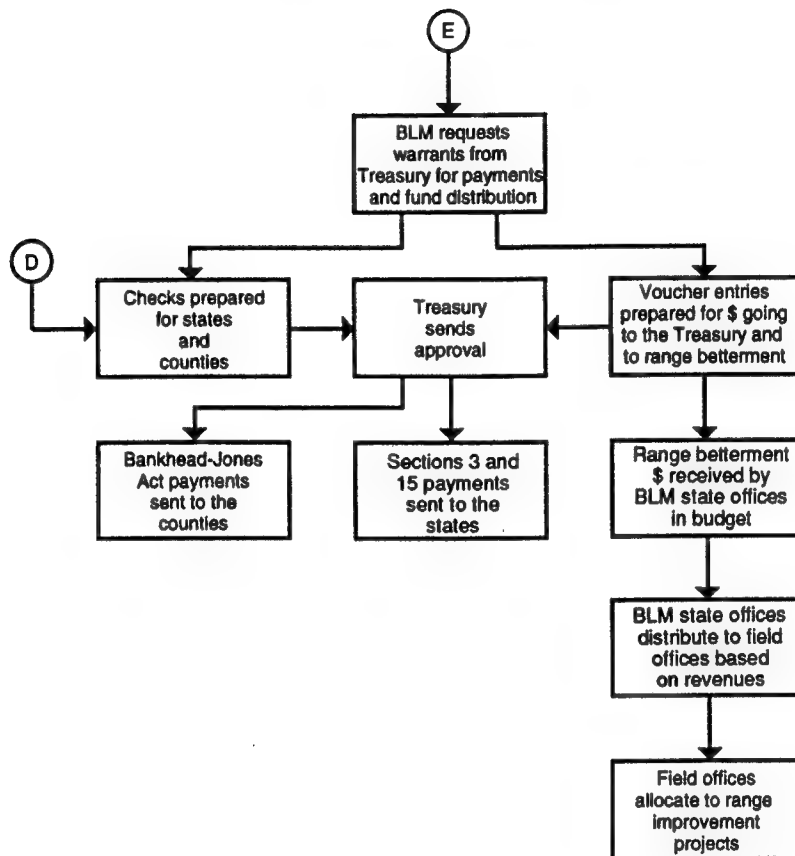
**Appendix I**  
**BLM's System for Collecting and Distributing**  
**Grazing Fee Receipts**

**Figure I.2: Denver Service Center Processing of Grazing Fee Receipts**



**Appendix I**  
**BLM's System for Collecting and Distributing**  
**Grazing Fee Receipts**

**Figure I.3: BLM Headquarters Processing of Grazing Fee Receipts and Distribution of Funds**



# Comments From the Department of the Interior

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



## United States Department of the Interior

OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20240



FEB 13 1992

Mr. James Duffus III  
Director, Natural Resources Management Issues  
General Accounting Office  
Washington, D.C. 20548

Dear Mr. Duffus:

This letter transmits our comments on the General Accounting Office (GAO) draft report entitled, GRAZING FEES: BLM's Allocation of Revenues to Montana Appears Accurate (GAO/RCED-92-95). We have reviewed the draft report and find that your staff has produced a report that accurately portrays the procedures used to classify Federal grazing lands for fee distribution purposes and the system used for collecting and distributing fee revenues.

We have included some suggested revisions to improve the accuracy of the report.

Sincerely,

FOR David C. O'Neal  
Assistant Secretary, Land and  
Minerals Management

Enclosure

Appendix II  
Comments From the Department of the  
Interior

Draft Report GAO/RCED-92-95  
Suggested Revisions

Now on p. 3.

See comment 1.

Now on p. 3.

See comment 2.

Now on p. 4.

See comment 3.

Now on p. 8.

See comment 4.

Now on p. 8.

See comment 5.

Now on p. 8.

See comment 6.

Now on p. 9.

See comment 7.

Now on p. 10.

See comment 8.

Now on p. 11.

See comment 9.

Page 3, Footnote 4, First Sentence:

Change "miscellaneous" to "other". "Other" is the correct name for the commodities sale discussed here, while "miscellaneous" is the correct terminology for all three of these receipt accounts.

Page 4, Table 1.1:

Add percentage designations to the values within the table and expand the table with an additional column on the right labeled "Distribution", that will show the time of distribution. The distribution would be by Fiscal Year for sections 3 and 15 receipts from public lands and Calendar Year for Bankhead-Jones Act lands.

Page 6, Footnote 6, Second Sentence:

Change to read: ". . . lands in Montana, 25 percent of the receipts are distributed . . .".

Page 10, Third Paragraph, Third Sentence:

Change to read: "In this case, an allotment consisting of Bankhead Jones Act land was entered into the billing system as public land administered under Section 15 of the Taylor Grazing Act, as amended."

Page 11, First Paragraph, Second Sentence:

Change to read: ". . . received approximately \$1,822 more than it should have received over a three year period, and has repaid that amount."

Page 11, Last Paragraph, Second Sentence:

Change to read: "Such a listing, which the BLM is not required by law to provide, will now be prepared annually and provided to the State."

Page 12, Second Paragraph:

Add the following sentences to the end of the paragraph: "This technical bulletin has been distributed within Montana to all BLM Offices State and county treasuries, State auditor's staff and various other interest groups. Sections of the bulletin will be updated and distributed annually."

Page 14, Second Paragraph:

Add the following to the end of the paragraph: "Total revenues from the Bankhead-Jones Act include receipts other than grazing fees. In FY 1991 grazing fees comprised only 35 percent of revenues in that account and were less in previous years."

Page 15, First Paragraph, First and Second Sentences:

Delete "Basin" from the sentences, the correct name is the "Judith Resource Area".

The following are GAO's comments on the Department of the Interior's letter dated February 13, 1992.

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## GAO Comments

1. We made this revision in the footnote to reflect the accurate name for the account.
2. For clarity, we added the words "Percentage of" to the title of table 1, which was originally entitled "Distribution of Grazing Fee Receipts." We did not add a column describing the time of distribution as this is included in the text above the table.
3. We revised the footnote accordingly to indicate that 25 percent of all receipts collected under the Bankhead-Jones Act are distributed to the counties.
4. We changed the sentence in the report to state that the allotment consists of Bankhead-Jones Act lands.
5. We revised the sentence to state that \$1,822 has been repaid by the county.
6. We revised the sentence to reflect the fact that BLM is not required, by law, to provide a listing of section 3 grazing fee receipts by county.
7. These statements were added to the report to indicate that BLM has distributed its technical bulletin throughout the state and will update it annually.
8. We did not make any revisions to the report on the basis of this comment. While it is true that revenues collected under the Bankhead-Jones Act include receipts other than grazing fees, Bankhead-Jones revenues are identified by source in the FFS. We do not believe that nongrazing Bankhead-Jones revenues represent an obstacle in reconciling grazing fees with AUMs.
9. We revised these sentences to reflect the accurate title of the Judith Resource Area.

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# Major Contributors to This Report

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